



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

**Date:** 1/7/2004

**GAIN Report Number:** MX4001

## Mexico

### Agricultural Situation

#### Weekly Highlights & Hot Bites, Issue #1

2004

**Approved by:**

William L. Brant  
U.S. Embassy

**Prepared by:**

Benjamin Juarez, Salvador Trejo, Gabriel Hernandez, Edgar Ramirez and Heriberto Lugo

---

**Report Highlights:**

- \*U.S. BEEF BAN WON'T AFFECT SUPPLY
  - \*BEEF RETAIL PRICES HIGH DUE TO THE MADE COW DISEASE CASE IN THE UNITED STATES
  - \*MEXICAN CATTLEMEN AFFECTED BY THE U.S. BSE CASE
  - \*FEAR OF MEAT IMPORTS RE-OPENING
  - \*LOW QUALITY BEEF IN THE UNITED STATES IS NOT NEWS
  - \*MEXICO'S MILK AND CHEESE IMPORTS GROWING
  - \*MEXICO'S SWEET TOOTH CRAVES U.S. ICE CREAM
  - \*LESS BUDGET FOR THE COUNTRYSIDE
- 

Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Mexico [MX1]  
[MX]

.....

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

.....

### **U.S. BEEF BAN WON'T AFFECT SUPPLY**

According to a local newspaper article, Chile, Uruguay, Canada and Australia could fill the void left by the United States, the nation's principal source of foreign meat, as long as a ban on imports of beef and beef products from the United States exists. The Director of the National Food Inspection Service (SENASICA), Javier Trujillo, confirmed that other markets could fill the void left by the United States, but declined to estimate how long the ban would be in effect. Mexico prohibited imports of beef and products made from beef, as well as shipments of live cows, from the United States on December 24, 2003, following the appearance of a case of mad cow disease in Washington state. "The ban will remain in effect until the United States gives us sufficient information to justify lifting it," Trujillo said. Approximately 70 percent of beef consumed in Mexico is produced locally. The United States is its principal foreign provider. (Source: *El Universal*, 1/6/04)

### **BEEF RETAIL PRICES HIGH DUE TO THE MAD COW DISEASE CASE IN THE UNITED STATES**

Some retailers and butcher shops increased beef prices to the public without justification as authorities and the National Cattle Confederation have declared that there is sufficient supply of beef for the country's demand. However, some butchers said that the increase in retail prices follow low productivity and the high price of domestic-fed cattle as well as limited access to imported meat and cattle. They also foresee an increase of up to 30 percent in price, as demand grows and the supply lessens. Other retailers said that the price increase was not in response to the BSE case in the United States, but to a normal yearly increase. (Sources: *El Mañana*, Matamoros, Tamps.; *El Heraldo de San Luis*, SLP; *Zocalo*, Piedras Negras, Coah.; *La Crónica*, BC; *Contexto*, Dgo.; *El Mexicano*, Cd. Juárez, Chih.; *El Diario de Juárez*, Cd. Juárez, Chih.; *El Mexicano*, Ensenada, BCN, 1/6/04)

### **MEXICAN CATTLEMEN AFFECTED BY THE U.S. BSE CASE**

Cattlemen association leaders stated that they have been affected negatively by the BSE case in the United States. As exporters of feeder cattle to the United States, they said the price for all type of bovine cattle in the United States dropped after the announcement of a BSE case in Washington state. They also mentioned that in the short term, and before Mexico re-opens its borders to U.S. beef, they might receive good prices from Mexican cattle feeders. However, the cattlemen don't want to risk keeping huge inventories of cattle in their feeding pens, although they know that beef prices will increase, because when Mexico starts

to import U.S. beef again, the price will drop to normal levels. (Source: *El Norte*, Monterrey, NL; *El Diario de Cd. Victoria*, Cd. Victoria, Tamps., 1/6/04)

### **FEAR OF MEAT IMPORTS RE-OPENING**

Producers are worried that the United States could re-introduce meat at dumping prices. According to them, supplies of meat are guaranteed for the Mexican market for six months. Armando Paredes, President of National Agricultural Council (CNA), said there is fear that meat being held in the United States might re-enter at "dumping prices" once the border re-opens. He recalled the shutdown of meat imports from the United States in 2002 and said when the borders re-opened, the imports were at dumping prices. Daniel Curiel, President of the Mexican Meat Council, mentioned that as a possibility. (Source: *El Norte*, Monterrey, 1/5/04)

### **LOW QUALITY BEEF IN THE UNITED STATES IS NOT NEWS**

Victor Manuel Gandarilla Rocha, representative in Sinaloa of the Mexican Rural Development Council, accused the United States of always sending "trash" meat to Mexico. He added that the new Bioterrorism Law puts a lot of limitations to domestic production. At the same time, he stated that NAFTA will bring only negative effects to Mexico, compared to the advantages that the other subscribed countries will receive. He further stated that there are vast contrasts with regard to economic conditions, as the American farmers receive huge economic support compared to a low budget and abandoned Mexican land. (Sources: *El Sol de Sinaloa*, Culiacan, Sin., 1/6/04)

### **MEXICO'S MILK AND CHEESE IMPORTS GROWING**

As of January 2003, the United States enjoyed the first year of tariff-free exports under NAFTA. The only exception is milk powder, which will not be duty-free until 2008. NAFTA provides a unique advantage for the United States, continuing to provide a great opportunity to increase market share and exports of dairy products. In fluid milk products, the United States is facing strong competition, principally from Uruguay and Chile. International agreements, among companies belonging to the same large multinational groups, are proving to be stiff competition. In cheese imports, the United States has once again maintained itself as the largest foreign supplier to the Mexican market. U.S. cheese exports, for the first seven months of 2003, reached 16,140 MT. (Source: USDEC, Mexico City, 12/31/03)

### **MEXICO'S SWEET TOOTH CRAVES U.S. ICE CREAM**

U.S. ice cream imports have been growing and are commanding more and more shelf space in the larger supermarkets. The U.S. share of 83 percent of the imported ice cream market, in 2002, produced record sales of 13,883 MT. During the first six months of 2003, ice cream exports reached 9,943 MT, a market share of 93 percent, and projections for the remainder of 2003 indicate that volumes could reach 16,000 MT. (Source: USDEC, Mexico City, 12/31/03)

### **LESS BUDGET FOR THE COUNTRYSIDE**

Despite the fact that the 2004 budget for rural development was increased by 1.42 percent in comparison with last year's figure, the "PROCAMPO" program budget was reduced by US\$6.5 million dollars. The same happened with the "Alianza para el Campo" program, in which monetary resources were reduced by US\$91.2 million dollars. Recently, the Lower Chamber authorized US\$10.8 billion dollars for the 2004 Sustained Rural Development

budget while in 2003 it authorized US\$10.6 billion dollars. In light of this situation, PRD Deputy Alfonso Ramirez said that from the approved 2003 budget, the Government of Mexico (GOM), used only US\$9.8 billion dollars thereby leaving US\$729 million dollars unused. Ramirez further stated, "For 2004, we proposed the US\$13.3 billion dollar figure be used in rural development and the redirection of 80 other programs and also proposed the implementation of 'locks' to avoid benefits to larger producers rather than the small producers. However, it seems that there aren't enough monetary resources because the GOM refuses to cut back on the *luxury earnings* that high-level officers within the Fox administration are being paid or the acceptance to pay less for the FOBAPROA issue. Facing this situation, we cannot complain about problems in the countryside, unfair competition, disorders in markets, falling income and so on." (Source: *Reforma*, 1/3/04)

#### REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

Number	Title	Date
MX3169	Weekly Highlights & Hot Bites Issue #57	12/31/03

We are available at <http://www.fas-la.com/mexico> or visit our headquarters' home page at <http://www.fas.usda.gov> for a complete selection of FAS' worldwide agricultural reporting.

#### FAS/MEXICO EMAIL

To reach us at FAS/Mexico City:

[AqMexico@usda.gov](mailto:AqMexico@usda.gov) and/or [ATOMexico@usda.gov](mailto:ATOMexico@usda.gov)